Consider the Pros and Cons of Plastic Payments

In the past two columns I have discussed doing business with checks and cash only. Today I will discuss the “plastic alternative”.

Credit and debit cards are popular, convenient, flexible, and have become increasingly important in business commerce. If your business is considering what forms of payment to accept, or if you'd like to expand the payment options of your cash-only business, be sure to consider the pros and cons of accepting card payments. I will list a few:

Pros of Accepting Card Payments:
• Card payments are evolving into the most common method of customer payment.
• Businesses can easily accept card payments.
• The convenience of using credit cards generally increases the likelihood of consumer "impulse purchases," which ultimately contributes to an increase in a business's average sale. Customers are more likely to make these purchases if they have access to credit or their available bank account funds.

Cons of Accepting Card Payments:
• Card payments come with an increased risk of fraud. Although there are laws and security measures that help protect and secure customer information, card payments are inherently more susceptible to foul play than cash. Read more about your responsibilities to protect your customers' privacy and secure their personal information.
• Businesses that accept card payments encounter small processing fees for purchase transactions. These fees seem insignificant but they can certainly add up, especially if your business accepts a lot of small purchases on credit cards. Setting up the necessary equipment to accept cards also carries additional costs.
• Card transactions add another layer of detail to your business's bookkeeping practices. Your business will have to take into account the additional time and resources it takes to maintain these records.

The bottom line for your operation is that accepting card payments will, at least initially, cost your business money and add extra processes in your daily operations. Many small business owners look at this as a necessary operating expense. As card payments become more popular, customers will likely begin to expect a plastic option as a rule, rather than a courtesy.

Planning and managing your business finance strategies can be complex. If you need help with this aspect of your business, contact America’s free and confidential source of small business mentoring and coaching, SCORE, on our website: http://seminnesota.score.org/

___________________________
Dean L. Swanson
Southeast Minnesota SCORE
c/o Rochester Area Chamber of Commerce
220 South Broadway, Suite 100
Rochester, MN 55904
*Dean is a volunteer SCORE Counselor.